

Tree.com, Inc.
Form 8-K/A
April 17, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 24, 2012**

Tree.com, Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34063
(Commission
File Number)

26-2414818
(IRS Employer
Identification No.)

11115 Rushmore Drive, Charlotte, NC
(Address of principal executive offices)

28277
(Zip Code)

Registrant's telephone number, including area code: **(704) 541-5351**

Not Applicable

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On February 24, 2012, we announced financial results for the fourth quarter ended December 31, 2011 and furnished the related press release as Exhibit 99.1. On April 16, 2012, we filed our annual report on Form 10-K for the year ended December 31, 2011. The financial statements included in the Form 10-K (including the notes to such financial statements) reflect revisions to certain of the financial results reported in the February 24, 2012 press release, which revisions also affect certain of the non-GAAP measures included in the press release.

The revisions reflect that we recorded in the second quarter 2011 a non-cash \$29.0 million impairment of indefinite-lived intangible assets, reflected in continuing operations, and in the fourth quarter 2011 an additional \$1.2 million of loan loss reserves, reflected in discontinued operations. The February 24, 2012 press release had indicated a \$5.9 million impairment of indefinite-lived intangible assets in the fourth quarter 2011. Because we have recorded the larger impairment in the second quarter 2011, there is no further impairment in the fourth quarter 2011 in the revised financial results. Please see our Form 8-K filed April 16, 2012 with disclosure on Item 4.02 for further information.

The below disclosure corrects the financial information included in the February 24, 2012 press release to reflect these revisions. The below repeats the full year 2012 guidance contained in the February 24, 2012 press release, which is reaffirmed by this report on Form 8-K/A.

New Non-GAAP Adjusted Exchanges Results

Because Tree.com's accounting policies do not recognize revenue for leads generated by the Exchanges business that are provided to LendingTree Loans, the Company is providing new metrics designed to give investors a view into what the results might have been if the Company did not operate LendingTree Loans. We will continue to report these metrics for future periods pending the sale of assets of Home Loan Center.

Full Year 2012 Guidance

We are entering 2012 with momentum and focus. Marketing has gained significant efficiencies in recent quarters, our fixed costs are in line, and we are projecting positive adjusted Exchanges EBITDA for 2012, said Tree.com SVP of

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* EBITDA and Adjusted EBITDA are Non-GAAP measures. Please see Tree.com's Reconciliation of Non-GAAP Measures to GAAP and Tree.com's Principles of Financial Reporting below for more information on Adjusted EBITDA

Fourth Quarter 2011 Highlights

Continuing Operations

- Fourth quarter revenue was \$10.7 million, down \$2.4 million, or 19%, from the third quarter 2011, and down \$1.2 million, or 10%, from fourth quarter 2010. The reduction quarter-over-quarter was driven by lower mortgage revenue, as interest rates were generally lower in the fourth quarter leading to lower lender demand for leads. The Company also provided a greater percentage of the Exchanges mortgage lead volume to LendingTree Loans in the fourth quarter compared to the third quarter, resulting in lower reported revenue.

- Net loss from continuing operations was \$5.1 million in the fourth quarter 2011, representing a \$1.7 million decline from the third quarter 2011 and a \$3.3 million improvement from the fourth quarter 2010.
- Adjusted EBITDA in the fourth quarter was a loss of \$1.4 million, a decline from the \$0.5 million Adjusted EBITDA loss in the prior quarter, but a \$5.3 million improvement compared to fourth quarter 2010. The quarter-over-quarter decline was the result of lower revenue which was partially offset by \$1.1 million lower marketing expense. The year-over-year improvement was driven primarily by \$3.7 million lower marketing expense. In a lower interest rate environment, the Company is generally able to reduce marketing expense for customer acquisition.
- Adjusted Exchanges revenue was down 8% in the fourth quarter compared to the prior quarter, primarily attributable to lower mortgage revenue reflecting lower lender demand due to lower interest rates.
- Adjusted Exchanges variable marketing margin % increased to 53% in the fourth quarter, from 45% in the third quarter, reflecting lower adjusted Exchanges variable marketing expense.

Discontinued Operations

- Net income from discontinued operations was \$6.3 million in the fourth quarter 2011.
- Adjusted EBITDA from discontinued operations in the fourth quarter was \$6.4 million, down \$3.2 million from the third quarter 2011, and down \$0.9 million from the fourth quarter 2010. The decline from the prior quarter was driven by a \$2.6 million increase in cost of revenue at LendingTree Loans. Looking year-over-year, Adjusted EBITDA from discontinued operations was influenced by lower Real Estate revenue and a \$2.0 million increase in cost of revenue compared to the fourth quarter 2010, which was partially offset by \$3.7 million lower marketing expense.
- As of December 31, 2011, LendingTree Loans had three committed lines of credit totaling \$275.0 million of borrowing capacity. In January 2012, one of the committed lines for \$50.0 million expired, bringing total committed capacity down to \$225.0 million. However, a new uncommitted line for \$100.0 million was also added in January 2012, bringing total funding capacity to \$325.0 million.
- The loans held for sale and warehouse lines of credit balances as of December 31, 2011 were \$217.5 million and \$197.7 million, respectively.

Liquidity and Capital Resources

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As of December 31, 2011, Tree.com had \$45.5 million in unrestricted cash and cash equivalents, compared to \$10.3 million as of September 30, 2011. During the fourth quarter and for the twelve months of 2011, Tree.com did not purchase any shares under its previously announced \$10 million share repurchase program. The program began in February 2010 and has approximately \$4.3 million of share repurchase authorization remaining.

QUARTERLY FINANCIALS

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Depreciation	(1,654)	(1,503)	(1,393)	(1,346)	(5,896)
Restructuring expense	(2,252)	(4,304)	(1,007)	(84)	(7,647)
Asset impairments	(12,974)	(29,250)			(42,224)
Loss on disposal of assets		(111)	(126)	(136)	(373)
Non-cash compensation	(1,301)	(793)	(899)	(1,122)	(4,115)
Litigation settlements and contingencies	(4,751)	(261)	(216)	(531)	(5,759)
Post acquisition adjustments		652			652
Other expense, net	(80)	(76)	(110)	(102)	(368)
Income tax (expense) benefit	(265)	11,929	464	(364)	11,766
Gain from sale of discontinued operations			7,752		7,752
Net income (loss)	\$ (39,495)	\$ (34,505)	\$ 13,315	\$ 1,182	\$ (59,503)

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Below is a reconciliation of revenue to adjusted Exchanges revenue, selling and marketing expense to adjusted Exchanges marketing expense, and Adjusted EBITDA from continuing operations (reconciled to operating loss in table above) to Adjusted Exchanges Adjusted EBITDA. See Tree.com's Principles of Financial Reporting for further discussion of the Company's use of these Non-GAAP measures.

(Dollars in thousands)	Qtr 1 2011	Qtr 2 2011	Qtr 3 2011	Qtr 4 2011
Revenue - Continuing Operations	\$ 13,919	\$ 16,931	\$ 13,101	\$ 10,666
Non-Mortgage Revenue	3,896	4,514	3,898	3,883
Mortgage Exchanges Revenue	10,023	12,417	9,203	6,783
Adjustment: Hypothetical Revenue for leads sent to LTL	9,972	7,780	6,429	7,343
Adjusted Mortgage Exchange Revenue	\$ 19,995	\$ 20,197	\$ 15,632	\$ 14,126
Total adjusted Exchanges revenue	\$ 23,892	\$ 24,711	\$ 19,531	\$ 18,009
Selling and Marketing Expense - Continuing Operations	\$ 15,529	\$ 15,242		